



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

January 22, 2008

The Honorable John Nelson, Chair
Joint Legislative Audit Committee

The Honorable Robert Blendu, Vice Chair
Joint Legislative Audit Committee

Dear Representative Nelson and Senator Blendu:

Our Office has recently completed a 12-month followup of the Department of Health Services—Behavioral Health Services for Adults with Serious Mental Illness in Maricopa County regarding the implementation status of the 17 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in September 2006 (Auditor General Report No. 06-09). As the attached grid indicates:

- 13 have been implemented;
- 3 are in the process of being implemented; and
- 1 directed at the Legislature has not been implemented.

Our Office will continue to follow up at 6-month intervals with the Department on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Melanie M. Chesney, Director
Performance Audit Director

MMC:Sjb
Attachment

cc: Susan Gerard, Director
Arizona Department of Health Services

**DEPARTMENT OF HEALTH SERVICES—BEHAVIORAL HEALTH SERVICES
FOR ADULTS WITH SERIOUS MENTAL ILLNESS IN MARICOPA COUNTY
12-Month Follow-Up Report To
Auditor General Report No. 06-09**

FINDING 1: SMI monies fund a diverse range of services in Maricopa County

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. No recommendations for this finding.		

**DEPARTMENT OF HEALTH SERVICES—BEHAVIORAL HEALTH SERVICES
FOR ADULTS WITH SERIOUS MENTAL ILLNESS IN MARICOPA COUNTY
12-Month Follow-Up Report To
Auditor General Report No. 06-09**

FINDING 2: Division should strengthen focus on outcomes

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. The Division should continue its implementation of the Boston University training program by monitoring the RBHA's compliance with the recovery model and ensuring that the Maricopa County RBHA:		
a. Continues to train clinical leadership and staff; and	Implementation in Process	VO of Arizona, Inc. continued to train clinical leadership and staff in the psychiatric rehabilitation approach (PRA) during the 6 months following the audit's release. However, in June 2007, VO of Arizona lost the bid for the Maricopa County Regional Behavioral Health Authority (RBHA) contract when the Department announced that it would instead award the contract to Magellan Health Services, effective September 1, 2007. The new RBHA offers training in the recovery philosophy. The Division plans to continuously evaluate Magellan's performance as the Maricopa County RBHA based on a variety of recovery-oriented outcome measures beginning in April 2008.

**DEPARTMENT OF HEALTH SERVICES—BEHAVIORAL HEALTH SERVICES
FOR ADULTS WITH SERIOUS MENTAL ILLNESS IN MARICOPA COUNTY
12-Month Follow-Up Report To
Auditor General Report No. 06-09**

FINDING 2: Division should strengthen focus on outcomes (cont'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
b. Maintains the training principles in service planning and clinical practices.	Implementation in Process	VO of Arizona, Inc. continued efforts to provide mentoring and training for staff to use PRA principles. For example, it developed PRA Clinical Supervision and Case Management toolkits. The new RBHA, Magellan, offers recovery-oriented training to clinicians, and the Division plans to continuously evaluate Magellan's performance against recovery-oriented outcome measures beginning in April 2008.
2. The Division should incorporate measurement of consumer outcomes into its oversight mechanisms by:		
a. Using the results of its quality management plan pilot test, as well as the measures used in the HB2003 program and by SAMHSA, to define outcome goals and develop appropriate outcome measures;	Implemented at 12 Months	
b. Continuing to incorporate these measures into the Division's quality management plan and RBHA's contract;	Implemented at 12 Months	

**DEPARTMENT OF HEALTH SERVICES—BEHAVIORAL HEALTH SERVICES
FOR ADULTS WITH SERIOUS MENTAL ILLNESS IN MARICOPA COUNTY
12-Month Follow-Up Report To
Auditor General Report No. 06-09**

FINDING 2: Division should strengthen focus on outcomes (cont'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
c. Continuing to tie a portion of the RBHA's profits to achieving agreed-upon performance outcomes;	Implemented at 12 Months	
d. Ensuring that an information management system exists to properly collect accurate outcome data that can be used to reliably measure recovery outcomes; and	Implemented at 6 Months	
e. Requiring the RBHA to demonstrate that it has an adequate information technology system to collect, report, and validate agreed-upon outcome data.	Implemented at 6 Months	

**DEPARTMENT OF HEALTH SERVICES—BEHAVIORAL HEALTH SERVICES
FOR ADULTS WITH SERIOUS MENTAL ILLNESS IN MARICOPA COUNTY
12-Month Follow-Up Report To
Auditor General Report No. 06-09**

FINDING 2: Division should strengthen focus on outcomes (concl'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
3. The Division should consider renegotiating measures of improvement in the court orders arising from the Arnold v. Sarn lawsuit by:		
a. Determining which court mandates focus on process rather than outcomes and inhibiting full implementation of an outcome-oriented model; and	Implemented at 6 Months	The Department identified two court mandates that focused on process rather than outcomes and in a January 12, 2007, status hearing, suggested modifying those mandates. In addition, in a March 8, 2007, brief to the Court, the Department proposed that the Court consider innovative approaches that require the parties and/or experts to reexamine court orders. According to the Department, the plaintiffs have not pursued the suggested changes or been amenable to changing any court orders. The Department reported that it intends to continue its efforts to modify the court orders.
b. Discussing this with the plaintiffs and working to modify the provisions.	Implemented at 6 Months	

**DEPARTMENT OF HEALTH SERVICES—BEHAVIORAL HEALTH SERVICES
FOR ADULTS WITH SERIOUS MENTAL ILLNESS IN MARICOPA COUNTY
12-Month Follow-Up Report To
Auditor General Report No. 06-09**

FINDING 3: Division can improve financial oversight and limit use of SMI monies

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. To better ensure monies are spent appropriately, the Division should consider expanding the current compliance audit requirement to include all program monies. If the Division determines a compliance audit is needed, it should:		
a. Determine which requirements and standards are most important to it and should be included as part of a contractually required audit;	Implemented at 6 Months	
b. Develop contract provisions that would require auditing nonfederal program monies against those requirements; and	Implemented at 6 Months	
c. Review the results of these audit reports and take action when appropriate.	Implementation in Process	The Department has made changes to its <i>Financial Reporting Guide</i> and newly established contract with Magellan Health Services to implement the new auditing requirements. The required audited financial statements that independent auditors will complete at the end of fiscal year 2008 will incorporate the new requirements. According to the Department, these are the only scheduled audits.

**DEPARTMENT OF HEALTH SERVICES—BEHAVIORAL HEALTH SERVICES
FOR ADULTS WITH SERIOUS MENTAL ILLNESS IN MARICOPA COUNTY
12-Month Follow-Up Report To
Auditor General Report No. 06-09**

FINDING 3: Division can improve financial oversight and limit use of SMI monies (concl'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
2. The Division should consider a contract provision that would limit the Maricopa County RBHA's ability to use SMI monies for other programs. As the Division considers this option, it should consider the impact this contract limit would have on the RBHA's ability to manage other programs.	Implemented at 6 Months	The contract with Magellan Health Services, effective September 1, 2007, contains a provision stating that SMI profits earned above the contractually allowed amounts must be returned to the State, unless otherwise requested in writing and approved by the Department.
3. The Legislature may wish to consider statutorily limiting monies appropriated for adults with SMI to be used only for this population. As the Legislature considers this option, it should consider the impact on other behavioral health programs.	Not Implemented	The Legislature has not considered any legislation regarding this issue.

**DEPARTMENT OF HEALTH SERVICES—BEHAVIORAL HEALTH SERVICES
FOR ADULTS WITH SERIOUS MENTAL ILLNESS IN MARICOPA COUNTY
12-Month Follow-Up Report To
Auditor General Report No. 06-09**

FINDING 4: Better oversight needed of service level provided

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. The Division should continue its efforts to better ensure that sufficient services are delivered by modifying its <i>Financial Reporting Guide</i> to identify a fee schedule to be used in valuing encounters to determine whether the minimum requirement has been met. For example, it could use the AHCCCS-approved fee schedule or an adjusted value based on the AHCCCS-approved schedule, or require ValueOptions to develop a fiscally sound method to develop a schedule of encounter values and submit the schedule for division approval.	Implemented at 6 Months	
2. The Division should:		
a. Determine an appropriate level for the minimum encounter submission requirement; and	Implemented at 6 Months	
b. Modify its <i>Financial Reporting Guide</i> accordingly.	Implemented at 6 Months	